

Transit Service Privatization Seminars

1987 - 1988
Southern California

An Educational Effort to
Help Localities Reduce Transit
Costs and Improve Local Mobility

Presented by
The Southern California
Transportation Action Committee



Through a grant by
Urban Mass Transportation Administration
United States Department of Transportation





U.S. Department
of Transportation

Urban Mass
Transportation
Administration

The Administrator

400 Seventh St., S.W.
Washington, D.C. 20590

Mrs. Lila Cox
Chairman, Southern California
Transportation Action Committee
233 South Euclid Avenue
Pasadena, California 91101

Dear Mrs. Cox:

Congratulations to the Southern California Transportation Action Committee (SCTAC) for its successful series of six transit service privatization seminars. We at the Urban Mass Transportation Administration (UMTA) are happy to have been a partner in this effort to encourage competitive bidding for transit operations.

Your seminars have shown citizens that the public and private sectors can work together to meet Southern California's transportation challenges successfully.

The era of huge Federal subsidies is over, perhaps forever. The bipartisan budget compromise hammered out last December confirms this, as does the political rhetoric we are hearing in this campaign year.

Reduced Federal resources do not, however, change the formula for successful transit service: to take people from where they are, to where they want to go, when they want to go, at a price they can afford, and in safety.

So, it simply makes good sense to look for new ways to improve public services while keeping costs down. One very effective way, as so many communities are finding out from experience, is to introduce competition into the provision of those services.

SCTAC's seminars were noteworthy for the excellent credentials of the public officials and transportation company representatives who participated. I am confident that the seminar proceedings will be an important resource document for many years to come.

Sincerely,

Alfred A. DelliBovi
Alfred A. DelliBovi



Alfred A. DelliBovi

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Southern California
Transportation Action Committee

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The Rationale for the Seminars

Lila Cox, Esquire

SCTAC Chairman

A determined effort has been made to put an end to wasteful spending by local governments, including in the area of urban mobility. Transit management can be more effective than it has been.

One of the ways is to involve the private sector in public transit needs. Since the public can no longer count on the federal government to "bail out" local constituencies, it makes good sense to use private contractors where feasible to manage government operations. They have a penchant for being more businesslike than huge bureaucracies. Studies have shown that privately-operated transit services are good candidates for saving local as well as federal dollars by utilizing private sector firms in a competitive process. Potential competition forces public agencies to become more efficient in order to compete.

Therefore, privatization would be a definite element in providing the public with the most cost-effective manner of offering good urban transit.

The Southern California Transportation Action Committee

Since 1973 the Southern California Transportation Action Committee (SCTAC) has been in the forefront in the building of public awareness and support for the improvement of transportation in Southern California.

Providing a focused voice to promote good transportation for the region remains SCTAC's mission.

SCTAC is a broad-based alliance whose members and associates include air, water, rail and highway operators and users, builders, developers, suppliers and transit users, chambers of commerce, organized labor groups, project advocates, environmental and civic groups, local government agencies, office holders, and individuals.

SCTAC is eager and available to cooperate with any body which has for its objective good urban transportation for the Southern California area, including the promotion of the involvement of the private sector. SCTAC's expertise in Southern California transportation matters and its empathy for what the Urban Mass Transportation Administration is attempting to accomplish, so far as the private sector is concerned, created a natural adjunct



Lila Cox

for the two organizations to combine their efforts in "getting the best product for the best price". The result was a series of six transit service privatization seminars presented throughout Southern California: in the San Gabriel Valley (Los Angeles County), the San Fernando Valley (Los Angeles County), Orange County, Ventura/Santa Barbara Counties, San Bernardino/Riverside Counties, and Torrance (Los Angeles County).

SCTAC structured an educational and public information program that was directed to six segments of the community: private transit contractors, public officials, community leaders, chambers of commerce, academic community (schools of public administration), and concerned transportation-oriented organizations.

Each seminar had a county supervisor as keynote speaker for the area in which the seminar was presented, with the exception of Torrance. Supervisor Deane Dana was unable to participate because of a long-standing commitment to a Washington, D.C. meeting. He was represented by his transportation deputy, Peter Ireland.

The seminars were well attended by civic, business, government and academia leaders. In addition, many private citizens interested in transportation issues attended.

One of the main thrusts of the seminar was that the public and private sectors can work together to solve the numerous transportation problems that currently face Southern California and, indeed, the entire state.

Seminar Participants



Robert M. Garrick, Executive Director of the Southern California Transportation Action Committee, Served as Moderator for all the Southern California Seminars.

SAN GABRIEL VALLEY **August 10, 1987**

Lila Cox, Chairman
Southern California
Transportation Action Committee
Welcome

Honorable Peter F. Schabarum
Los Angeles County Supervisor
Keynote Remarks

Roger Teal, Ph. D.
Professor of Civil Engineering
University of California, Irvine
"Rationale for Privatization"

Mike Lewis, Chief Deputy
Supervisor Peter F. Schabarum
"The San Gabriel Valley
Transportation Zone Project"

Jacki Bacharach, Member
Los Angeles County
Transportation Commission
"Needs of the Community"

Gene Stalians, President
Diversified Paratransit, Inc.
and
James McLaughlin
Los Angeles City
Department of Transportation
"The DASH Experience in Los Angeles"

John Dyer
General Manager
Southern California Rapid Transit District
"How the Public and Private Sectors
Can Work Together"

Keith Curry
Special Assistant for Public and Private Liaison
UMTA, West Coast
"Liaison With UMTA"

James Seal
Privatization Consultant
California Bus Association
"A Privatization Contract Beneficiary"

Ralph M. Stanley
Senior Vice President
The Municipal Development Corporation
New York, and former UMTA Administrator
"Contracting for Private Service"

SAN FERNANDO VALLEY **September 28, 1987**

Lila Cox, Chairman
Southern California
Transportation Action Committee
Welcome

Honorable Michael D. Antonovich
Los Angeles County Supervisor
Keynote Remarks

Honorable Bill Duplissea
California State Assemblyman
Vice Chairman, Assembly
Transportation Committee
"The Need for Competition in
the Public Transit Sector"

Keith Curry
Special Assistant for Public and
Private Liaison, UMTA West Coast
"Liaison with UMTA"

Mike Lewis, Chief Deputy
Supervisor
Peter F. Schabarum
"Workings of a Transportation Zone"

Albert H. Perdon
Assistant General Manager
Southern California Rapid
Transit District
"How the Public and Private
Sectors *Can* Work Together"

Roger Teal, Ph. D.
Professor of
Civil Engineering
University of California, Irvine
"Rationale For Privatization"

Honorable Hal Bernson
Los Angeles City Councilman
"Needs of the Community"

Alice D. Lepis
Principal Transportation Engineer
Los Angeles City
Department of Transportation
"Preparing a Request for Proposal:
Elements to Consider"

Gene Stalians
President
Diversified Transit, Inc.
"The DASH Experience in Los Angeles"

William Jackson, Vice President
Laidlaw Transit, Inc.
"Encino Park and Ride Service"

Patricia Van Matre, Manager
Local Assistance Programs
Los Angeles County Transportation
Commission
"Transit Service Contracting
for Smaller Cities"

James Seal
Privatization Consultant
California Bus Association, and
Philip McGuire, Vice President
Laidlaw Transit, Inc.
"A Contractor's Point of View"

James Ortner, Ph. D.
Principal Scientist
Automobile Club of Southern California
"Coordination: The Regional View"

David D. Grayson, Secretary-Treasurer
Southern California Transportation
Action Committee
Summary Comments

ORANGE COUNTY October 29, 1987

Lila Cox, Chairman
Southern California
Transportation Action Committee
Welcome

Honorable Harriett M. Wieder
Orange County Supervisor
Keynote Remarks

Honorable Bill Duplissea
California State Assemblyman
Vice Chairman
Assembly Transportation Committee
"The Need For Competition in
the Public Transit Sector"

James P. Reichert,
General Manager
Orange County Transit District
"The Needs of the Community"

Keith McKean,
Director
Caltrans District 12
"State Transportation Improvement
Program for Orange County and
Contracting Out"

Philip E. Fixler, Jr., Ph.D.
Director,
Local Government
Center, Reason Foundation
"The Increasing Trend Toward
Privatization"

ORANGE COUNTY

—Continued

Roger Teal, Ph.D.
Professor of Civil Engineering
University of California, Irvine
"Rationale For Privatization"

Carmen Clark
Public and Private Sector Liaison
UMTA, West Coast
"Liaison With UMTA"

John Meyer,
Executive Director
Transportation Corridor Agencies
of Orange County
"Privatization: The Perfect Blend"

James Seal,
Privatization Consultant
California Bus Association
and
Jay Mannino
Mark IV Charter Lines
"A Contractor's Point of View"

James Ortner, Ph.D.,
Principal Scientist
Automobile Club of Southern California
"Coordination: The Regional View"

David D. Grayson,
Secretary-Treasurer
Southern California Transportation
Action Committee
Summary Comments

VENTURA/SANTA BARBARA COUNTIES - January 15, 1988

Lila Cox, Chairman
Southern California Transportation
Action Committee
Welcome

Honorable Maggie Erickson
Ventura County Supervisor
Keynote Remarks

Peter Drake
General Manager
South Coast Transit District
"The Needs of the Community"

Gerald Lorden, Executive Director
Santa Barbara County-Cities
Area Planning Council
"Transportation Financing
Problems in Santa Barbara County"

James Ortner, Ph. D., Principal Scientist
Automobile Club of Southern
California
"Coordination: The Regional View"

Honorable DeWayne Holmdahl
Santa Barbara County Supervisor
"The Public and Private Sectors
CAN Work Together"

Keith Curry
Managing Consultant
Public Financial Management, Inc.
"Transportation Funding for
the Coming Years"

Gary Gleason, General Manager
Santa Barbara Metropolitan
Transit District
"Low Bid Labor Driving Low Bid Buses"

James Seal, Privatization Consultant
California Bus Association
"A Contractor's Point of View"

David D. Grayson, Secretary-Treasurer
Southern California Transportation
Action Committee
Summary Comments

SAN BERNARDINO/ RIVERSIDE COUNTIES - February 25, 1988

Lila Cox, Chairman
Southern California Transportation
Action Committee
Welcome

Honorable Barbara C. Riordan
San Bernardino County Supervisor
Keynote Remarks

Wes McDaniel, Executive Director
San Bernardino Associated Governments
"Needs of the Community"

Paul Woodruff
Administrative Assistant
Assemblyman Bill Leonard
"Legislative Proposals for
Transportation Problems"

Jeff Jenkins
Transportation Deputy
Supervisor Peter Schabarum
"Transportation Zones: When Public
Transportation Goes Private"

James Ortner, Ph.D.
Principal Scientist
Automobile Club of Southern California
"Coordination: The Regional View"

Honorable A. Norton Younglove
Riverside County Supervisor
"Private Sector Transportation
Opportunities"

Paul Blackwelder
Assistant Executive Director
Riverside County Transportation Commission
"Privatization in Riverside County"

Bob Chafin, General Manager
OMNITRANS of San Bernardino
"How OMNITRANS Uses Privatization"

James Seal
Privatization Consultant
California Bus Association
"A Contractor's Point of View"

David D. Grayson, Secretary-Treasurer
Southern California Transportation
Action Committee
Summary Comments

LOS ANGELES COUNTY (TORRANCE) - March 24, 1988

Lila Cox, Chairman
Southern California Transportation
Action Committee
Welcome

Peter Ireland,
Chief Deputy
Supervisor Deane Dana
Keynote Remarks

Honorable Bill Duplissea
California State Assemblyman
Vice Chairman, Assembly
Transportation Committee
"The Need for Competition in the
Public Transit Sector"

James Seal
Privatization Consultant
California Bus Association
"A Contractor's Point of View"

Jeff Jenkins,
Transportation Deputy
Supervisor Peter F. Schabarum
"Transportation Zones: When Public
Transportation Goes Private"

James Ortner, Ph.D.
Principal Scientist
Automobile Club of Southern California
"Coordination: The Regional View"

Carmen Clark
Public and Private Sector Liaison
UMTA, West Coast
"Liaison With UMTA"

Philip E. Fixler, Jr., Ph. D.
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Keith Curry, Managing Consultant
Public Financial Management, Inc.
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Jacki Bacharach, Member
Los Angeles County
Transportation Commission
"Needs of the Community"

Roger Teal, Ph. D.
Professor of Engineering
University of California, Irvine
"The Rationale For Privatization"

David D. Grayson, Secretary-Treasurer
Southern California Transportation
Action Committee
Summary Comments

Interaction

The collective profile of the seminar attendees provided the basis for good dialogue so far as seeking solutions to the transit problems faced by localities.

There was a sincere effort by those in attendance to want to know how to relate to transportation problems, how to recognize them, and then to be able to assist in meeting the challenges that are prevalent, both urban and suburban.

Summarizing the general attitude of the attendees was a letter from a person who attended the Ventura seminar: "The seminar was well done. The subjects were very timely and the speakers able to impart the information in a most concise manner. Thank you — it was a real treat."

Seminar Media Program

Promotion of the seminars was done through a concerted publicity campaign and, in some cases, an advertising program.

Both electronic and print media carried interviews and reported on the contents of the seminars. For example, prior to the San Fernando Valley Seminar, James Ortner, Principal Scientist of the Automobile Club of Southern California, and James Seal, Privatization Consultant for the California Bus Association, were interviewed by Los Angeles radio station KLSX for one hour. The main thrust of the interview centered on the concept of privatization and its benefits.

Prior to the Torrance Seminar, Joe La Barbera, Associate Executive Director of the Southern California Transportation Action Committee, was interviewed by Jon Goodman of KNX Los Angeles on what the seminars hoped to accomplish.

At the conclusion of the Torrance seminar, Jacki

Bacharach, a member of the Los Angeles Transportation Commission, was interviewed by Paragon Cable Television Company of Torrance.

Prior to the seminar in San Bernardino, reporter Robin Keith of radio station KPZE, San Bernardino, interviewed Robert M. Garrick, Executive Director of the Southern California Transportation Action Committee.

Numerous newspapers wrote advance stories regarding the seminars which, in some cases, resulted in increasing the attendance.

Stephanie Stassel wrote an in-depth story on the Ventura seminar for the Simi Valley Enterprise focusing on the participants of the seminar and their comments relative to the promotion of the privatization philosophy.

Promotions of the seminars were carried by a number of radio stations including KNX in Los Angeles.

Summary and Conclusions

As urban areas grow and change, whole new transportation markets emerge — bringing new opportunities for entrepreneurs.

Suburbs that were once considered "bedroom communities" now thrive as major office and commercial centers. Public transportation systems built to carry commuters from the suburbs to downtown business districts are poorly equipped to serve the needs within these complex new suburban markets.

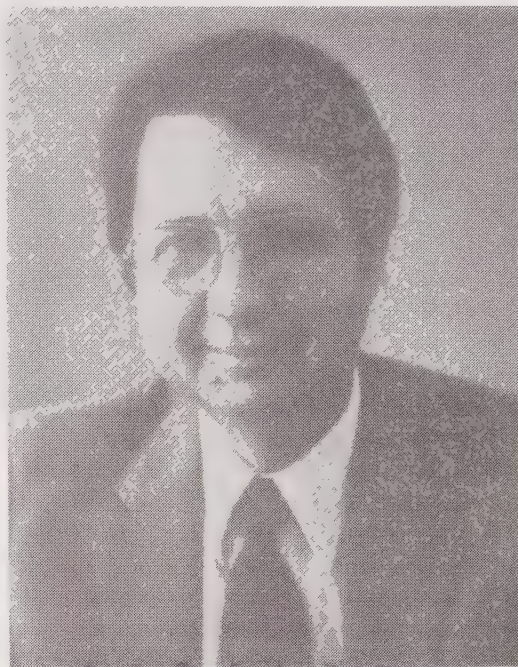
As Americans live longer, the number of elderly and handicapped grows steadily. These citizens require a wide range of transportation services that can accommodate their special needs and schedules.

While many inner-city areas are struggling with high unemployment, nearby suburbs are suffering from labor shortages. Lower income inner-city residents need transportation to suburban job sites and their employers are helping to pay the cost of getting them there.

Although the demand for transportation services is rising, the amount of federal and state money available for public transit is declining. Local transit agencies are looking more and more to the private sector as a partner in meeting public needs.

Small, customized services are the wave of the future in urban transit. These entrepreneurs prove that small beginnings can bring big success in a changing transit marketplace.

The seminars presented by the Southern California Transportation Action Committee have attempted to prove that point.



David D. Grayson, Secretary-Treasurer of SCTAC, summarized the participant's presentations at the conclusion of each seminar.

Keynote by

Peter F. Schabarum

Supervisor,
Los Angeles County First District

San Gabriel Valley Seminar

It was well over one year ago when we gathered here to share ideas about a concept that was taking the country by storm. Privatization, as it was so labeled, had become the trendy buzzword in transit circles. Today, it has made considerable progress across the country and here in Los Angeles County.

Privatization is a misnomer and should be more conventionally described as "competitive procurement". Under a competitive arrangement, certain bus routes are put out for competitive bid and the contract is awarded to the bus company which can provide the highest quality service for the lowest cost. Because management control is maintained by local officials and only one bus company is allowed to operate a route, the riders and taxpayers are receiving the benefits of competition with the supervision of government.

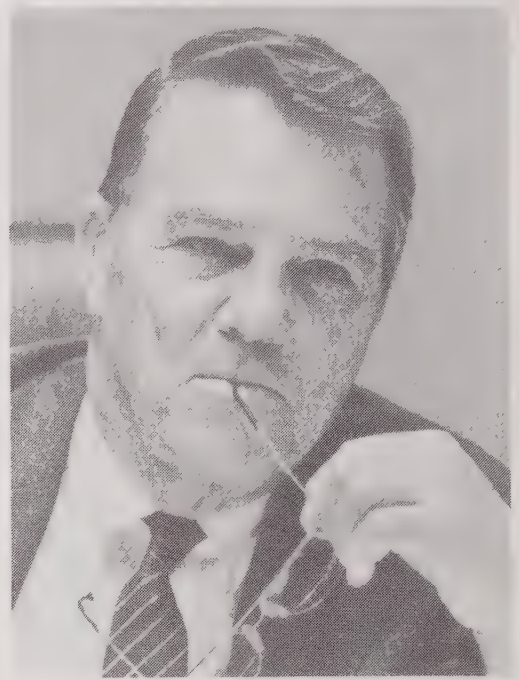
This is no different than municipalities contracting for road projects, golf course management, landscape maintenance, tree trimming, engineering services, as well as local dial-a-ride services.

I believe competitive procurement is here to stay because subsidies for public transit are on the decrease and this trend is certain to continue. And population and employment increases in this area will place increased demands on public transit.

Meanwhile, operating cost increases at the RTD continue to rise. During this year's budget proceedings, the RTD struggled with a \$26 million deficit even after the elimination of 18 bus routes. Next year the RTD anticipates a \$33 million deficit, and when it cannot live within its means, it raises fares or eliminates service in the suburbs. With such deficit problems, it will need to cut additional service in the coming year. The San Gabriel Valley, where transit demand is not as high as in the Central City, will bear the brunt of service cuts.

The reality is that the San Gabriel Valley is growing faster than almost every other part of the County and simply cannot afford less bus service.

That is why in December, 1984, I proposed creating a transportation zone in that Valley. At that time few people realized that authority for transportation zones was embedded in the LACTC's enabling legislation. It allows for the creation of a transportation zone when it can be shown that the RTD "can no longer provide responsive transit service in a cost-effective manner".



Peter F. Schabarum

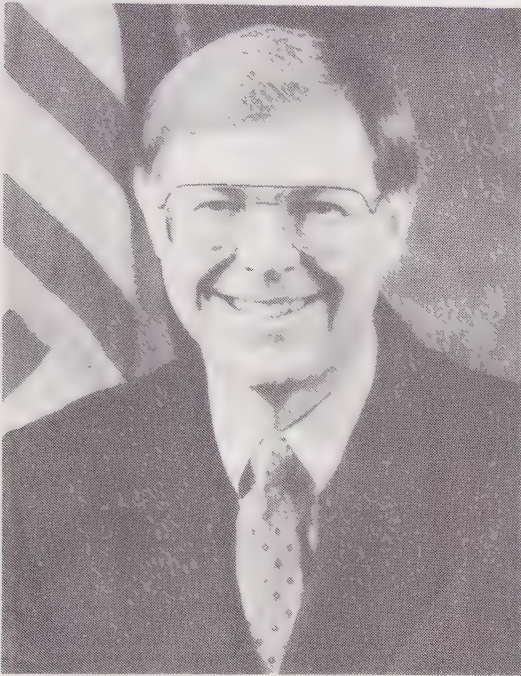
A transportation zone is nothing more than a specific geographic region where the provision of public transit is managed by local officials and bus service is procured through competitive contracting. Tighter management control will allow local officials to prevent problems like late service, absenteeism, driver drug use, poorly maintained vehicles, and unsafe operations. Also, a zone guarantees that all service in the San Gabriel Valley will be maintained for three years and that service will be fully accessible to the handicapped.

When the zone is fully operational it will operate 171 peak period buses or roughly 7% of RTD's total service. It will save, through competitive contracting, \$11 million a year which can be used to increase service and reduce fares.

Competitive bidding has worked in over 300 transit systems across the country. Recently, Los Angeles County in conjunction with UMTA, LACTC, and the City of Los Angeles, is participating in a bus continuation project to operate lines eliminated by the RTD. The County will operate four local routes and four express routes, including two lines to be shared with the RTD.

The County recently has let contracts through the competitive bid process that resulted in savings of 60% on the express service and 50% on the local service. This demonstrates that competitive bidding can produce cost savings that will allow local government to continue operating service.

It must be realized, in the final analysis, that the private sector is not better than the public sector. It is that competition is better than monopoly.



Michael Antonovich

Improving traffic flow and the transportation system in Los Angeles County is the most difficult challenge we face in the next decade. One of the key decisions that will determine how we meet that challenge is whether we allow our vision of the future to be provided by a bureaucratic blueprint or whether government expands its partnership with the private sector and increases the role of the free market.

Bureaucracy has three tendencies that must be kept under control:

- relying too much on increasing taxes to solve problems, instead of using existing resources more creatively.

- protecting its own interests even at the expense of the common good.

- following its own agenda which is often unresponsive to change, to the marketplace, and to the public.

A glaring example of this is the Rapid Transit District, which has been single-mindedly pursuing the Metro Rail while bus service deteriorates.

Absenteeism among bus drivers averages 32 days per year, and 20 per cent of the drivers average 83 unexcused absences per year. This costs the taxpayers \$24 million annually, a huge waste of resources that could be used to improve service or meet other transportation needs. A private transit operator could never tolerate such inefficiency and still remain in business.

The transportation reform bill now before the governor (AB 18) will establish a single transportation authority with a board of elected officials. This board will have clear lines of authority for transportation decisions and clear lines of responsibility that run directly to the people.

Keynote by Michael Antonovich

Supervisor,
Los Angeles County Fifth District

San Fernando Valley Seminar

However, it is critical for the new authority to have the widest possible range of options in providing quality transportation, including the use of private operators in those areas where they can offer better service at a lower cost to the taxpayers.

After the downtown DASH buses were turned over to a private contractor, the costs fell 38 per cent. In the San Gabriel Valley, a study done by the county and 29 cities showed that establishing a transportation zone, with private operation of 32 RTD bus lines, would save \$15 million per year.

Senator Bergeson's legislation, SB 516, would permit the state to contract out work on the backlog of state highway projects. Although it is crucial to implement privatization wherever we can, it is also important for government to use its resources as efficiently as possible in those areas where it has responsibility.

We are taking initiatives in Los Angeles County to relieve traffic congestion. In March, the Board of Supervisors unanimously adopted my motions:

- Instructing the Director of Public Works to work with the 84 cities in preparing a plan to synchronize traffic signals throughout the county.

- Requesting Caltrans to study double-decking of freeways, with one level as a toll road.

- Instructing the Chief Administrative Officer to work with other units of government to reduce rush hour congestion by coordinating the schedules of the 60,000 federal, state, city, and county employees who work downtown.

The Board approved a motion to work for passage of AB 506 (HILL) to extend the delivery time for truck deliveries of beer and wine to 4 a.m. to 6 a.m., as was done during the Olympics to relieve daytime congestion. The governor has signed that bill. This concept was recently signed into law and expanded to keep trucks off the freeway during peak driving hours.

Today's forum is a model for the kind of new thinking and open exchange of ideas that will be the basis of a cooperative effort in the future, between the public and private sector.

Privatization is the wave of the future, not bigger government, not bureaucratic management, not higher taxes.

I look forward to working with all of you as we use the private sector to help reform the county's transportation system to meet the needs of the coming generation.

Keynote by Harriett M. Wieder

Supervisor,
Orange County Second District

Orange County Seminar

I would like to commend the Southern California Transportation Action Committee for sponsoring this seminar as part of its ongoing efforts to improve our regional transportation system.

Privatization and contracting for transit services are nothing new in Orange County. The Orange County Transit District has been contracting services for nearly 14 years. "Dial-A-Ride" services have been competitively bid since their inception in Orange County and, within the past year, service contracts for two commuter bus lines from Orange County to Los Angeles County also have been awarded through a competitive bidding process.

The private sector must make a positive impact in addressing our mobility needs, because when it comes to transportation, government cannot go it alone any longer.

The ultimate form of privatization is for employers and employees to take the responsibility and the initiative to do what they can to solve our transportation problems. A prime example of this strategy is a concept which I have been promoting for more than a year (and which is being implemented in Orange County by OCTD's Commuter Network program) and that is transportation demand management.

It does not make sense for people to get into their cars alone during morning and evening peak periods and produce a monumental traffic jam.

At a minimal cost to employers and to government, demand management strategies (such as ride-sharing and alternate work hours) can reduce congestion on our streets and freeways, reduce the burden on transit providers, improve air quality, and improve the morale and productivity of employees.

In major commerce centers, employers need to expand on and formalize demand management measures by forming "Transportation Management Associations" in business and office parks. This is another opportunity for the private sector to demonstrate further leadership by joining together to address local traffic problems through demand management, something of a role reversal, for TMAs would then contract with transit providers for technical assistance and for local transit services.

Demand management strategies worked wonders during the 1984 Los Angeles Olympics when Southern California freeways carried 11 per cent more traffic than normal with 35 to 90 per cent less



Harriett M. Wieder

congestion than normal! Although many people talk about the "Olympic legacy", we have yet to put into place a comprehensive program to replicate it. To do so will require a cooperative effort of business and government, and it will also require individual sacrifice and changes in our own lifestyles.

If the private sector does not take the initiative and implement these measures voluntarily, they will no doubt be mandated, if not by local government then by state or federal government. The reason is poor air quality. In addition to providing transportation benefits, demand management measures also are being proposed as a means to bring the South Coast Air Basin into compliance with federal air quality standards.

Next month the South Coast Air Quality Management District will act on a proposal to require employers of 100 or more to initiate ridesharing programs. As a member of SCAQMD, I intend to support this measure. More comprehensive demand management measures have been proposed for areas which don't meet air quality standards in proposed revisions to the federal Clean Air Act.

Transportation demand management simply makes sense. The benefits to our air quality, our transportation system, and our pocketbooks far outweigh the costs.

Demand management makes the most efficient use possible of our transportation system. Efficiency is the name of the game, whether in government, in providing transit services, or in private industry. Therefore, I encourage you not to limit yourselves when discussing privatization in transportation. There are many ways to cut costs and increase efficiency. I consider transportation demand management to be the ultimate form of privatization.

Keynote by Maggie Erickson

Supervisor,
Ventura County Third District

Ventura/ Santa Barbara Seminar



Maggie Erickson

At the outset, let me tell you that I am very impressed with the purpose of this seminar today: helping localities reduce transit costs and improving local mobility.

Ventura County can use some help. Transportation problems which we face here probably are no different from those all of you face.

Specifically, we have one major freeway: 101. It is fed by 126 from Central Valley and Los Angeles, and by 118 from the San Fernando Valley. We have one major port to which trucks need good access. We essentially have one railroad track running through the County and we have one commuter airport.

We also have 600,000 residents who think this County is too full of people and cars. All of them believe someone else should solve the problem and all of them, including me, usually drive alone in our cars to get to work and to meetings like this one.

Obviously some kind of effective mass transit system is needed. Yet Californians don't like mass transit and there are few successful examples in Southern California.

In this County we put together a train, but it never went where I wanted to go when I wanted to go

there. In my city there is a bus, but the bus does not go where I want to go when I want to go. So I get back into my car. I am not alone in this experience.

The problem is twofold: what kind of mass transit to provide and who will pay for it?

While we try to figure that out, we simultaneously need to be educating the public that mass transit is the way to go. I don't have the answers, but I am optimistic that through seminars like this one with the combined expertise of people like you, we can find an answer.

As you talk about privatization, competitive bidding, and competitive procurement, I hope there is a creative solution that is cost-effective for citizens to use, cost-effective to governments, and cost-effective to private enterprise.

My own vision to solve some of our problems has to do with some kind of rail system to utilize existing highways. I firmly believe that a committee should be formed that looks to the future beyond the year 2000 and particularly zeroes in on transportation issues.

Privatization more and more is being talked about as a possible solution. I challenge you to sharpen your pencils, boot up your computers and let's make it work.

I cannot accept that Southern California is that far behind Washington, D.C., Sacramento, Mexico City, and most cities of Europe and Japan where one can take a bus or train to anywhere anytime.

Here in Ventura County we have just established the Clean Air Alliance, composed of public and private organizations working together to meet federal air standards. Since the car is the last major source we can control, we will concentrate our efforts on educating the public to carpool, use whatever mass transit is available, and cut down on the number of trips in our cars.

I see this effort and the efforts of the Southern California Transportation Action Committee and others in this room as complementary and compatible, as together we deal with the problem of getting people into fewer cars.

I commend you for your work and thank you for asking me to join you today.

Keynote by Barbara Riordan

Supervisor

San Bernardino County Third District

Riverside/ San Bernardino Counties Seminar



Barbara Riordan

The idea of privatization is one that has come to our area and I am very mindful of the opportunities it opens for us.

Driving to Los Angeles yesterday for a meeting downtown, it once more occurred to me how much more we are going to have to look at transit and look at the options as to whether we operate as a public agency or a private enterprise effort.

The Board of Supervisors in my County is actively seeking to achieve some sort of job/housing balance. This area has a high housing balance and we are looking at the fact that we may be able, between now and 2010, to capture only 15% of the jobs that would normally go into other areas. We also have to face the fact that other areas might capture some of the housing that we are expecting to keep.

A report on the subject will be out soon and it underscores that transit needs to be addressed. We, as local elected officials, need to examine every system available to us that will allow us to deliver transit services to our constituents at the lowest possible cost.

You hear elected officials say, over and over again, that the dollars we have to work with are diminishing and that is especially true in transportation. Therefore, we must examine every system that is available to us that will allow us to deliver transit services in the most cost-effective way.

In my district I had an excellent experience in the privatization of transit. In 1982 I was able to join with a very fine effort on the part of our OMNITRANS department to look at the opportunities of changing what was a fixed-route system and a demand-response system that it was operating at that time. In that district the city of Yucaipa was identified for some changes simply because you would often see very large buses from OMNITRANS car-

rying two, three, four or five people to and from Yucaipa.

It became very evident that we needed to make a change, so we went out for a proposal from the private sector. We received a bid, implemented the privatization of the demand-response system and, at the same time, were able to reduce the fixed-route system so it simply operates as a backbone.

When we began we had an annual cost of \$645,000 which we were able to reduce to \$458,000 in that privatization process. The project saved \$187,000 per year and we still today realize that tremendous savings in that community.

The project was interesting, but the public became very agitated to think they were going to lose their bus system. We overcame their fears and we did make the transition. The public now supports the system enthusiastically.

The private operator who operates the system made a commitment to OMNITRANS and to me during the days of public agitation that he would deliver a service to those people that was far beyond what they had had before. The result is a quality system that has saved us money and as long as this operator is in the picture, that will continue to be so.

The experience proves that we in the public sector must look for ways to duplicate it in other areas, to save other scarce dollars in transportation.

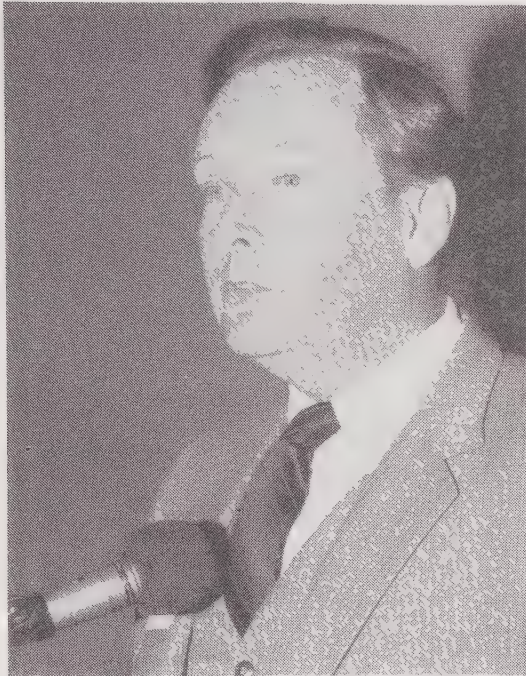
We are grateful to the Southern California Transportation Action Committee for allowing us to come together in such a setting as this to discuss ways for our communities to make similar changes in the transportation picture.

Keynote by

Peter Ireland

Senior Deputy,
Supervisor Deane Dana, Los Angeles County

Torrance Seminar



Peter Ireland

Good morning ladies and gentlemen. On behalf of Supervisor Deane Dana, I would like to welcome those attending and participating in today's SCTAC seminar.

I would also like to thank the City of Torrance and the Torrance Holiday Inn for hosting today's program.

Unavoidably, Supervisor Dana is in Washington today meeting with members of the California delegation.

He asked me, however, to welcome all of you to the 4th Supervisorial District, and to extend to you his wishes for a productive and stimulating program.

Transportation is a fascinating and frustrating issue. Fascinating because of the challenges and possibilities that seem just within reach. Frustrating because of the realities of mobility that we encounter every day.

Transportation is an issue that seems fraught with contradictory truths. The almost daily changes

in technology make it possible to improve the method, delivery, and quality of transit service.

Yet the acceptance of new technologies by transportation bureaucracies seems fraught with resistance, or worse, utilized inappropriately. One of the most difficult tasks that we are confronted with is gaining the acceptance of new solutions for old problems.

How do you convince a reluctant, publicly-owned transit agency that there are other choices to cutting services or raising fares?

How do you convince elected officials at the local, state or federal level that competition in transit is not only healthy, but necessary if service is expected to continue in an era of declining subsidies? How do you convince the public that its transportation needs will continue to be met and not threatened when the private sector is allowed to participate?

The key to answering these questions that deal with public mobility is through an open educational process that brings together a variety of opinion, knowledge, and expertise that reaches out beyond the board rooms into the communities.

As we approach the end of the century, the necessary mix of transportation solutions will come into greater focus and definition. In Los Angeles County that means implementing Metro Rail, light rail, busways on freeways, and independent transportation zones.

In an overall general sense, these are logical and acceptable solutions. When they are looked at individually and balanced against community values, they may become controversial.

In the final analysis, the most difficult challenge facing transportation agencies may be matching the solutions to the communities. Transit agencies would do well to maximize public involvement and input from the very beginning in order to avoid costly, politically unacceptable solutions.

In summary, educating and involving the public from the beginning to the fullest extent possible is a critical key to moving transit solutions forward from concept to fare box. The Southern California Transportation Action Committee is to be commended for providing the leadership and the forum for developing a future with mobility.

The Need for Competition in the Public Transit Sector

Bill Duplissea

California State Assemblyman

San Fernando Valley Seminar

It is truly an honor to be with you here today to discuss how far we have come in urban mass transit as well as planning for the future. It can be said, truly, that what we as a transportation community do between now and the end of this century will predicate the future of our national infrastructure. In California, the most populous state, the state with the largest budget in the nation, and the state with a proud reputation for being on the leading edge of major innovations, little has been done in recent years about changing the big picture on public transit.

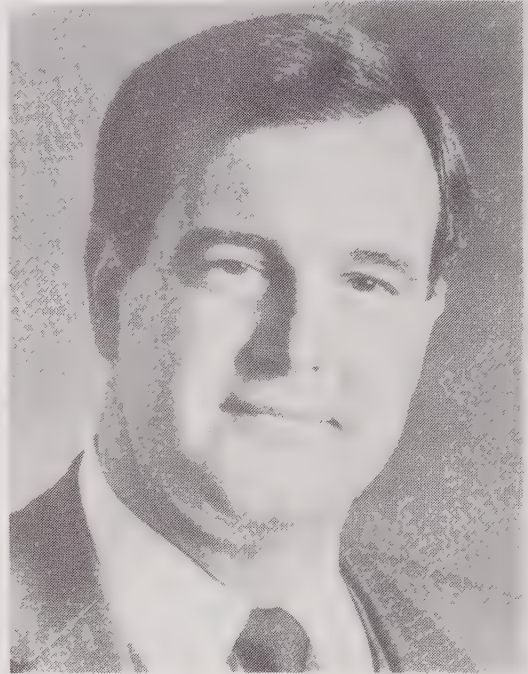
Many say the auto is king and that they will never be conditioned to public transit, and that nothing in the world will make them get out of their cars and use public transportation to go to and from their jobs. Well, that mind-set is changing rather rapidly in California.

Transit in our state has resisted many of the forward-looking changes seen in many other cities and states such as the idea of competitive bidding for public transit. They have resisted allowing the efficiencies of the free enterprise system, of the free marketplace, and the basic essential ingredient of competition with public transit operations.

These problems are brought on because someone's ox is getting gored. The transit unions in California, with their political clout, resist competitive bidding because they feel their membership will be adversely impacted by the increased efficiencies brought on by private sector competition.

We have five major transit agencies in California that flatly refuse to compete and point to their political strength in Sacramento. The leadership of the Urban Mass Transportation Administration has given us example after example of how competitiveness has increased the efficiencies of public transit nationwide. These transit agencies still shake their head, "no".

Last year a representative from UMTA came into my office and talked to me about an idea for a bill



Bill Duplissea

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that would mandate, from the state level, transit agencies receiving state funding to put a minimum of three percent of the diesel bus operation and all new service out to competitive bid. This was presented to me to be something like a weather balloon that we put up and see how quickly the transit unions and the democratic leadership in both the Assembly and the Senate would shoot it down. Those with transit wisdom felt that upon its intro-

duction it would probably not move much beyond the first policy committee in its legislative path. That is not at all what happened.

Because Assembly Bill 2626 was set very quickly in committee, the opposition had very little chance to work their magic on the Democrat members of that committee. Voting on

the merits of the bill and not its political ramifications, all but two committee members voted to pass the bill out by 12 Aye votes and 2 No votes. By the time the bill was set for its first fiscal committee hearing in the Assembly Ways and Means Committee, the opposition had awakened.

Transit unions swarmed over the Capitol and the Democrat members of that Committee. Pro-transit, pro-competition forces were not at rest. We worked

very hard with private bus operators and with the leadership and direction of many of the consultants in the transportation industry nationally, and by "orchestrating" local opinion and local contacts to the legislators on the Assembly Ways and Means Committee, the bill was voted out 14 to 7.

One of the major changes in this saga came at this point when Governor George Deukmejian became interested in the plight of the transit riders and taxpayers in California. The Governor has an entire competitiveness agenda for all aspects of California. This seemed a logical outgrowth of that competitiveness spirit. In our state, with the majority party being the democratic party in the Legislature, he and his line item veto authority can be the last word on public policy.

The Governor became very supportive after an experiment in Los Angeles, where another stalwart friend of free enterprise, Supervisor Pete Schabarum, had demonstrated beyond a shadow of a doubt the efficiencies of competitive bidding. The Southern California Rapid Transit District had announced the discontinuation of 18 runs. Supervisor Schabarum asked that instead of discontinuing those runs, they be put out to competitive bid. Right now 16 of those 18 runs are being run at less cost than the RTD had previously operated them. More importantly, the transit riders that use those runs every day have a service they would not have if the status quo of non-competing public transit agencies had been maintained. Some of these routes are being partially funded by an UMTA Capital Cost of Contracting Demonstration project.

With the Governor's help, and quite frankly his ability to exercise budgetary blackmail against the Democrats, this issue became a pressure cooker for those Democrats who would naturally vote for the bill but were being forced by their leadership to vote against it. On the last night of session last year the bill came to the floor of the Assembly for a vote at approximately 2:30 a.m. For a lack of five votes AB 2626 was defeated on the Assembly floor.

That is not the end of the story and, in one respect, it is a new beginning. The Governor's response to this was to take \$25 million that he had struck from the budget and suggested in veto message that that same \$25 million would be approved if it were put in a vehicle such as AB 2626.

When our Governor drew the line in the dirt in this way, he put some members of our Legislature on notice. Now there are three such bills going through the legislative process for the remainder of

the 1988 session which are essentially regionalized versions of the original AB 2626. One of the competitiveness bills I have introduced this session, AB 3855, is somewhat different from other bills relating to competitive bidding. This bill includes an incentive for those public operators who procure services at

AB 2626 ...

This bill includes an incentive for those public operators who procure services at no greater cost to the the taxpayers than is necessary.

no greater cost to the the taxpayers than is necessary. Similar to UMTA's successful Capital Cost of Contracting projects being implemented in many cities, this bill rewards local operators who enter into the competitive marketplace by appropriating \$10 million to the San Francisco Bay Area, under a three-year demonstration project, to allow public operators to provide new/restructured services under competitive bids. This bill embraces the Governor's views on transportation funding by linking all future subsidies to the most cost-effective delivery of bus service.

I can guarantee, if I am fortunate enough to be re-elected this November, I will introduce, on the first day of the next session, AB 26 which will be the pure, refined competitiveness bill that AB 2626 was in the 1987 session.

I have learned a lot over the last year about public transit. I have a great deal more to learn, but I can tell you the tide is shifting. As I am sure you have seen in your own areas and cities, it is no longer enough to say, "the unions won't go for it", or "we could never get that through". We now have forward thinking leaders across this nation who are saying if you are going to receive tax dollars, you are going to be competitive. The taxpayer and the transit rider have rights, too. Those rights should at least have the same consideration as the management of some transit agencies and the leaders of transit unions.

Our time has come. We look forward to a bright future in California. A national movement is taking hold in America which embraces a rather unique concept to many Legislatures throughout this nation, that the taxpayers and the citizens of this nation deserve the best possible product and the best possible service at the lowest possible price.

Rationale For Privatization

Roger Teal, Ph.D.

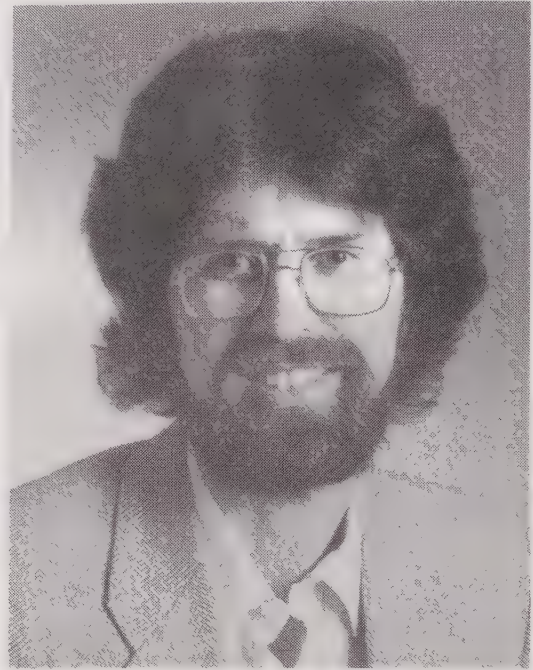
Department of Civil Engineering
and Institute of Transportation Studies
University of California, Irvine

San Gabriel Valley Seminar

The concept of privatization of selected government functions has emerged as one of the Reagan Administration's key domestic policy initiatives. Transportation privatization has been one of the most prominent objectives of this overall policy thrust of the Administration. The leadership of the federal Urban Mass Transportation Administration has developed and strongly advocated a policy initiative of maximizing private sector participation in the delivery and financing of public transportation facilities and services.

This private sector policy initiative, which often is referred to as "privatization", represents a radical departure from past federal policies towards urban public transportation. The supporters of this policy view it as the only realistic means for improving the cost effectiveness of a public service whose costs have spiraled out of control over the past 20 years, whereas the opponents of the policy contend that it will cause significant damage to a public service delivery system that was developed out of the private market failure of an essential urban transportation industry. Privatization of the public transportation is thus a very significant policy initiative, as well as one which is quite controversial.

The term "privatization", as applied to a policy of promoting private sector involvement in public transportation service delivery and financing, is easily misconstrued. UMTA's private sector initiative seeks not to return the public transit industry to the private sector, but instead to involve the private sector organizations in the delivery and financing of public transportation services and facilities. Control of this public service would remain in the public sector, but service delivery, for example, would involve private operators as well as government organizations. What UMTA seeks to end is the public sector monopoly on service provision which has characterized the transit industry for the past 20 years (preceded in many cases by private



Roger Teal

monopoly), and to instead substitute a policy of "competition" for determining which organizations will deliver public transportation services.

Changing Policy

Contracting with the private sector for public transportation services thus constitutes the primary thrust of this changing public policy towards the delivery of urban transit services. This policy initiative is in response to two trends. First, since the mid-1970s, scores of local governments have opted to contract for local public transportation rather than directly operating such services themselves. Second, the chronic and increasingly severe fiscal problems of public transit in large metropolitan areas have made it abundantly clear that transit's costs are out of control, and that a sig-

nificant amount of the blame can be assigned to the public monopoly organization of the industry at the local level. These developments have moved service contracting to the forefront of the policy debate concerning how public transportation can be delivered in a more cost-effective fashion.

The appeal of service contracting is easily explained. Private sector contracting promises large cost and subsidy reductions without major service

The term "privatization", as applied to a policy of promoting private sector involvement in public transportation service delivery and financing, is easily misconstrued.

cutbacks or fare increases. Cost savings of 10 to 50 percent, and even larger subsidy reductions are often cited for service contracting. No other available strategy can promise savings of this magnitude while also maintaining service and fare levels. Moreover, service contracting appeals philosophically to those who believe that public monopolies are inappropriate when there is no compelling economic justification for their existence, as there does not appear to be in the case of public transit. (Economies of scale, the traditional justification for monopoly organization, are quickly exhausted in the transit industry, and there is evidence of diseconomies of scale for large transit agencies.)

Despite the potential economic benefits of service contracting and the increasing recognition of its widespread application, it remains an intensely controversial policy. Transit labor unions are adamantly opposed to service contracting for regular bus service. Many transit managers also look unfavorably upon this policy, preferring to maintain all service delivery within the transit agency in order to maximize managerial control and political influence. Transit policy boards, familiar with the existing system of public agency monopoly and most susceptible to the influence of transit management, usually are reluctant to alter the status quo of service delivery. Thus, the federal policy support for transit service contracting confronts the reality of local transit institutions and interests with much different perspectives.

This paper presents an overview of the transit service contracting concept, focusing on what service contracting is, where and how it is currently practiced, and the issues that it raises for the present system of transit service delivery. These topics are particularly pertinent to Los Angeles County, where many local governments employ transit contracting, yet where the major transit service delivery systems conform to the traditional public monopoly model. This paper seeks to illuminate both the potential of transit service contracting and the issues which must be confronted if this method of service delivery is to become an integral part of public transportation in Los Angeles County.

Contracting with the private sector for the delivery of public transportation service is, in concept, no different from local government contract-

ing for any public service. Local governments in California have a long tradition of contracting with the private sector for public services, such as refuse collection, street maintenance, and social services. Transit contracting is of the same character, in that the local government assumes responsibility for service provision, establishing service parameters and financial arrangements, while a private enterprise actually operates the service. However, because the concept of transit service contracting has become closely identified with the more global concept of "privatization" of government functions, and because of the historical background of urban transit in the U.S., a number of misconceptions have arisen about what private sector operation of transit entails.

Transit Service Contracting

Transit service contracting means precisely the following: a nongovernmental organization operates a particular public transportation service, in accordance with service specifications established by the public entity responsible for transit, under a contractual arrangement with that public entity.

The service is not "turned over" to the private sector, nor is there a presumption the service will be profitable and not require subsidization. In fact, a contracted transit service is identical in essentially all ways to a public agency operated service, except that a private organization rather than a government organization actually operates and maintains the transit vehicles.

Not only is the concept of transit service contracting simple to grasp, there is nothing novel about the practice. In California there are over 200 contracted public transportation services. In Los Angeles County alone there are at least 40 governmental entities which contract for some or all of their local transit service, including the County itself, which contracts for all of its service. Except in the large urban counties of California, the provision of local transit through service contracting is as common as public agency operation. Transit contracting is thus a concept which is established and accepted.

Contracting with the private sector for the delivery of public transportation service is, in concept, no different from local government contracting for any public service. Local governments in California have a long tradition of contracting with the private sector for public services.

The Increasing Trend Toward Transportation Privatization

Philip E. Fixler, Jr., Ph.D.

Reason Foundation - Santa Monica

Orange County Seminar

In this era of fiscal limitations privatization, the transfer of services and assets in part or whole from the public to the private sector, is increasingly viewed as an alternative to raising taxes or cutting services. Detailed below are several indicators of the growth and extent of privatization in recent years and examples of various forms of privatization that have been applied to different types of transportation or transit services.

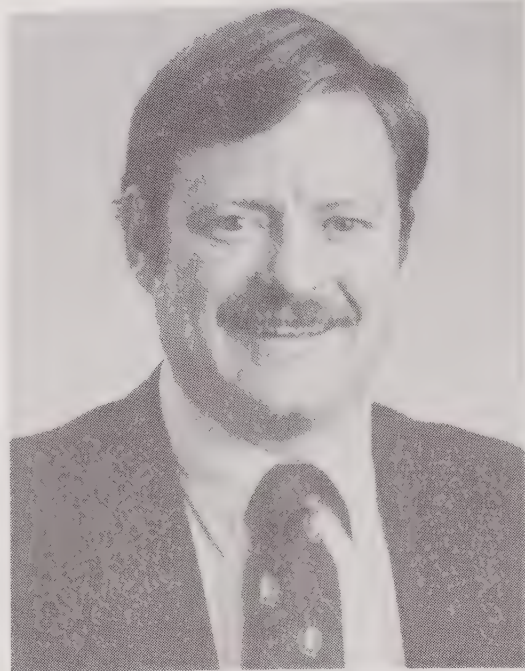
Data on seventeen local services included in roughly comparable surveys conducted in 1973 and 1982 indicate that the growth in one form of privatization, contracting out, ranged from 43 percent (refuse collection) to 3,644 percent (record keeping). The Reason Foundation's 1986 Annual Privatization Report estimated that privatization at the local and state levels was growing at about 5 to 10 percent a year. The 1987 Annual Privatization Report calculated that worldwide, \$92 billion in government assets had been sold in 1987, compared to only \$18 billion in prior years.

In regard specifically to urban transit, a 1987 survey by Touche Ross & Co. found that 17 percent of responding local governments contracted for some of their transit or transportation services in the last five years and 15 percent planned to do so in the next two years. To put this in a wider context, a 1982 survey by the International City Management Association determined that 30 percent of reporting jurisdictions already contracted for bus system operation/maintenance and 44 percent contracted for paratransit services.

Some jurisdictions, for example, contract for commuter express-bus service, including the city of Los Angeles and transit agencies in San Francisco, Houston, and Norfolk, Virginia, and Hartford, Connecticut. The Dallas Area Rapid Transit District contracts for all of its commuter and regular-route bus service, with some 15 to 18 percent savings.

In addition to contracting, other forms of privatization such as vouchers, deregulation, divestiture, and user fees also have been applied to transportation services. Several small jurisdictions, for instance, such as Kingston, North Carolina, and San Leandro, California, use vouchers to ensure service to elderly and handicapped citizens. San Leandro saves an estimated 34 percent over what it would have cost to provide the service in-house.

Deregulation also has been employed as a means of fostering better transit service. San Diego



Philip E. Fixler, Jr.

and Honolulu permit private jitney service along some city thoroughfares. UMTA is presently sponsoring pilot projects for route associations: groups of jitney owners formed for the purpose of sharing a transit route.

But deregulation has been most extensively applied in Great Britain which has successfully privatized and deregulated a great deal of its inter-and-intra-city service. Interestingly, much of the privatization of government-owned bus companies was carried out through divestitures, specifically via management/employee buy outs.

More and more public officials now are accepting user fees as a means of financing new road capacity and reducing traffic congestion. A newly-developed and proven technology, electronic road-pricing (ERP), can eliminate the need to stop at toll booths, thus making urban toll roads imminently feasible. One ERP technology consists of a small transponder in an individual vehicle that registers on receivers implanted in the roadway to record highway or street usage. The user receives a bill at the end of the month similar to a telephone bill. One of the major advantages of ERP is that prices can be raised during heavy congestions periods, thus encouraging the use of public transit and the rescheduling of nonessential trips to non-peak hours. Private ownership and operation of ERP tollways can keep costs down and also help ensure the privacy of road-use records.

In sum, privatization in a variety of forms is growing, especially in transportation. Moreover, the savings from applying privatization to transportation and other services can assist public officials in avoiding tax increases or service cuts, both of which can hurt an already fragile economy.

Liaison with the Urban Mass Transportation Administration

Carmen Clark

Private Sector Liaison, Region 9
Urban Mass Transportation Administration

Torrance Seminar

It is a pleasure to be here to discuss UMTA's policy on private sector involvement in the provision of mass transit services. I would like to focus my remarks on a general summary of UMTA's private sector initiatives policy and provide details on the agency's two latest program initiatives.

First let me explain my role in implementing this policy. I am the Regional Private Sector Liaison located in the San Francisco UMTA Region 9 office and work closely with my UMTA headquarters counterparts in the Office of Private Sector Initiatives, headed by Doug Birnie. Our regional office in San Francisco is responsible for the delivery of technical and financial assistance to public transit operators in a four-state area. Therefore, we have the opportunity to influence the integration of the private sector involvement goals into public transit decision-making and program development.

Since our first published notice in October, 1984, UMTA has funded many special studies and local organizational initiatives, such as this one, all with the purpose of showing that greater productivity can result from the involvement of the private sector in decision-making and in the use of private transportation companies to provide appropriate segments of transportation services.

To accomplish this goal, UMTA has instructed all of our grant recipients, which includes most public transit operators in cities over 50,000 population and metropolitan planning organizations, to establish procedures for considering the private provision of transit services. Most of these procedures are now in place and being utilized with varying levels of success. Jim Seal probably will give you more detail on that later in the program. What is important to remember is that public decision makers are now evaluating opportunities for cost savings through the use of private providers and, as they look at the comparison of dollars spent for services, in many cases purchasing these services in the private marketplace means stretching the public subsidies available to public transit.

I want to spend most of my time discussing two new UMTA program initiatives, the Entrepreneurial Services Program (ESP) and the Suburban Mobility Program (SMP). While both of the programs are geared toward demonstrating greater opportunities for productivity through use of the private sec-

tor in solving transportation problems, their focuses are a bit different.

First, some background on the ESP. The purpose of the program is to stimulate the business community at large - developers, employers, merchants - to fashion entrepreneurial approaches to urban mobility and congestion problems in cooperation with public agencies. We are looking to fund the development of a set of market-driven general public purpose transportation services that can be provided in the market place by private firms, especially small business and minority companies.

The intent is to respond to a number of service needs that traditionally have not been served by public transit agencies because they are uneconomical or inappropriate. These services, tailored to specific needs, would be self-sustaining and supported by fares, private or public client groups, and other interested parties within the community.

The second important program initiative is the SMP. While the ESP is aimed at implementing transit operations projects, the SMP is a technical assistance program in response to the emerging suburban mobility problems and the need for a comprehensive, multimodal approach to solving these problems. This program will provide a forum to identify and to discuss local actions addressing these problems, offer strategic planning grants to assess the problems and to develop solutions, and disseminate information on successful solutions to suburban mobility problems around the country.

The types of activities that we are interested in making grants for include regional seminars on suburban mobility, assistance in project planning, transportation cost center demonstrations, employer/developer-supported demonstrations, and grants to assist the development of suburban institutional arrangements, such as Transportation Management Associations (TMA). In addition to the grant activity, UMTA intends to provide some direct seminars and workshops on various topics related to suburban mobility. We currently are planning a TMA conference in Orange County within the next few months.

Please contact me if any of you are interested in developing the types of projects I have discussed today. I look forward to working with you in solving the area's mobility problems.

A Contractor's Point Of View

James Seal

Privatization Consultant
California Bus Association

San Fernando Valley Seminar

Mass transit in California represents a \$2.1 billion annual program involving state funding contributions. In Southern California, almost 90% of local transit systems competitively contract for the delivery of services representing a mix of fixed route and demand response.

The operating budget for the largest public transit operator in Southern California, the Southern California Rapid Transit District (SCRTD) is \$510 million for fiscal year 1988. Recently, sixteen of eighteen SCRTD lines targeted for cancellation were contracted, in part under an UMTA grant. These contracts are valued at \$19.9 million operating and capital over three years. In the near future, 4% of SCRTD's total service, or 14 lines, will be transferred to the San Gabriel Valley Transportation Zone and will be competitively contracted over a three-year period by putting groups of routes out to bid over a three-year demonstration period. The value of this contract is estimated at \$18 million. The SCRTD will be reimbursed \$1.4 million for support services.

The total operating expenditures for transit operators in the San Francisco Bay Area amounts to approximately \$685 million and user fares contribute \$211.6 million. Of these systems, a total of 10 smaller systems competitively contract for virtually all of their transit services. These smaller systems are responding to changing travel patterns caused by suburbanization in the Bay Area and some are a result of dissatisfaction with the traditional operator's cost for service and service response to local needs.

The California Bus Association has been used as a resource by certain Bay Area agencies in comparing public and private costs for future contracting opportunities. Almost all large public operators will significantly reduce bus service in California during the next few years and CBA will be involved in presenting unsolicited proposals for contracting opportunities. All routes under sole source contract between public agencies have been a high priority for private sector involvement.

San Diego was the earliest success story in public contracting and 16% of all fixed route services remain under competitive procurement.

The San Diego Planning Agency is now consid-

ering certain existing public transit routes for possible competitive bidding, and CBA will be closely involved in the local evaluation process.

In Southern California, the LACTC, in association with the City and County of Los Angeles, worked long and hard with the SCRTD to identify services that would be divested and assumed by the City and County to be operated competitively. UMTA approved a demonstration project and allocated capital dollars as an incentive to implement this concept. The private sector/CBA was involved in all stages of this complex process and, when appropriate, testified on behalf of private operators supporting this contracting plan.

Last year, a 3% competitive contracting bill was introduced in the California Legislature by Assemblyman Duplissee. This bill passed out of a policy and fiscal committee and failed by four votes to pass out of the full Assembly.

The Governor vetoed \$25 million from the State General Fund and would only consider an off-budget appropriation of additional transit funding under the more efficient provisions of competitive contracting. This marked the first major step in the state towards appropriating transit operating subsidies under the conditions of competitively procuring the most efficient services with these scarce resources.

This year a number of competitive contracting bills have been introduced. Specifically, Assemblyman Duplissee has introduced a bill to appropriate \$10 million for a demonstration project over a three-year period in the San Francisco Bay Area to be allocated to public transit operators to perform new or restructured services under competitive contracting arrangements.

Initially there was great opposition from public transit unions and public operators regarding the feasibility and cost-saving potential of private sector provision of public transit routes. Obstacles to contracting have presented themselves in almost all regions in California. Despite these barriers, the market for competition in the provision of services is growing throughout the state. There remain several pockets of resistance that will need further monitoring and action on the part of private operators.



James D. Ortner

The five-county Los Angeles urbanized region encompasses several thousand square miles. The extensive freeway network connects this vast urban region. Public transportation, however, is only marginally designed to provide linkages between different areas of the region. A transit trip between San Bernardino and the Los Angeles Central Business District can take, for example, several hours. Transit operators focus on local service.

Improved regional express transit service can take advantage of the linkages provided by the freeway network. The regional express transit service can connect with zone and community service to provide a regional system of transit services.

A three-tier transit system is proposed as an effective strategy for providing regional transit service in the Los Angeles region. The recommended three-tier system consists of the following elements:

- A backbone system of regional express transit services
- Zone service
- Community service

In the three-tier system the owners or operators of transit service at each of the three service levels manage their operations independently. There are regional issues which transcend individual operator concerns: fare structure, distribution of subsidies, type of vehicles, level of service, contracting, public information dissemination, development of major transfer centers, etc. A federation among transit operators is needed to make the three-tier concept work. A joint powers agreement is recommended to institutionalize decision-making on critical re-

Coordination: The Regional View

James D. Ortner, Ph.D.

Principal Scientist

Automobile Club of Southern California

San Bernardino/ Riverside Counties Seminar

gional transit service issues and develop coordination and cooperation among the three tiers of service.

A limited number of regional transit districts and municipal bus lines presently provide zone service which provides inter-community access using the major arterials and a collection/distribution function for regional express service. Fixed routing and schedules and designated bus stops are the norm. Zone routes form a grid network that covers most of the region. Because of frequent stops, intra-regional trips are time consuming. Fares finance a larger portion of operating costs compared to community service. Operating deficits also are much higher and therefore require large subsidies from sales taxes plus state and federal subsidies.

Transit districts, AMTRAK, Greyhound, etc. presently operate regional express service. Intra-regional coverage is limited. Regional express service can become the backbone network linking the sub-regions of the Los Angeles area. Access to this service and transfers with zone service can occur at major transfer stations located generally in major activity centers. The major transfer stations can be linked by the regional freeway network. High capacity projects such as rail lines can replace the express bus component of regional service as they are constructed. The backbone regional express service can operate all day and be supplemented by peak period commuter service.

The proposed joint powers agreement will determine where regional express service should be initially implemented. Those corridors with identifiable demand will be a high priority. Regional express service will therefore not connect all major transfer stations during the early phases of regional system development. As demand warrants, the connections will be made. Moreover, demand can help set priorities for projects to replace regional bus service.

Funding for the regional express service can be generated from savings in existing operations. Contracting with private operators is a critical method for achieving operating efficiencies and generating additional transit revenues. These revenues can expand regional express service as well as increasing zone service capacity.

Needs of the Community

Jacki Bacharach

Los Angeles County
Transportation Commission

Torrance Seminar



Jacki Bacharach

Recent surveys have shown that private services contracting can save between 20% and 60%. In Los Angeles County, we have found that the hourly rates of private providers, most frequently ranging between \$20 and \$30 an hour, are at least 20 to 40% lower than an equivalent public provider.

That is why the LACTC aims for at least a 25% cost savings in demonstration projects it funds. The City of Los Angeles' downtown shuttle service, for example, is costing over 30% less than what it had cost RTD to operate the same service. This reduced cost has allowed service to be retained in areas where population density and transit usage is marginal, also with lower fares being maintained.

Private contractors are best suited to provide low-intensive services such as local circulation, dial-a-ride, and commuter express. We do not envision private contracting for the type of service that the regional carrier does best, which is major trunkline systems or heavily used central business district-oriented services.

We have learned the great need for healthy competition between private contractors. If the pool of contractors only contains a few large providers, costs can skyrocket. To get more operators, the small-to-medium-sized firms, the LACTC has published a directory of contract service providers so cities can see that they have a choice. We hold periodic workshops to inform private operators about the bid process and how they can best respond to a city's needs. Workshops are held for cities also.

With contracting as with anything, it is very important to pay attention to the contractor. If he/she is not carefully supervised, there can be problems.

Some private operators have high driver turnover; drivers need to be carefully supervised or else the ability to provide reliable service is lost. There is nothing worse to a policymaker than to go out in public and hear complaints from constituents about buses not showing up on schedule. Management of the system on the governing body's part is vital. The contractor is a profit-making business. With some, standards get lax if they think no one is looking.

Some private operators do not budget properly or lowball their bid and come back to the policymakers at midyear for additional funding with all sorts

of dire consequences if funding is not granted. We do not allow public operators this luxury. Other "surprises", such as insurance hikes, can drive up the cost of even the best-managed contractor. In this case, the governing body needs to budget for possible contingencies.

The public sector decides how services will be provided and what is the most appropriate service in a given area. It sets the fares, routes, service frequencies, and quality standards. Most important, it coordinates services, hopefully through incentives from LACTC. It may or may not operate the service.

In the future, our challenge is coordination. I would like us to emulate systems evolving in other countries. There are multiple service operators, public and private, but there is a central public authority. Even though routes are put out to competitive bid at regular intervals, central marketing makes sure the components are seen by the user as one system. The proposed transportation zone utilizes this concept.

Also LACTC is working with cities on a central telephone information "dial one number" concept in the South Bay cities where the services of Torrance and Gardena Transit systems along with the RTD are tied into computerized telephone information operated by the RTD.

Past and current experience has taught us that with transit as with anything else, no one element is the answer. There is no panacea. I believe that communities and cities can best serve their constituents by blending the expertise from the public and private sectors.



Jeff Jenkins

The topic I have been asked to address is our experience in forming a transportation zone in the San Gabriel Valley which was approved by the Los Angeles County Transportation Commission last December.

The San Gabriel Valley is geographically located in the eastern portion of Los Angeles County, lodged between Downtown Los Angeles and the County of San Bernardino. The zone will be comprised of twenty cities and the County of Los Angeles in a 272-square mile area with a population of nearly one million residents. When the transportation zone is completely up and going, it will be the third largest transit agency in Los Angeles County.

In 1976 when the enabling legislation to form Los Angeles County Transportation Commission was being written, Assemblyman Walt Engals inserted a rather nebulous provision that said local transportation zones can be formed when it can be demonstrated that the regional operator can no longer provide adequate and responsive transit service in a cost-effective manner.

That provision of the legislation sat dormant until 1984 when the LACTC was exploring options that would help minimize fare increases and service cuts that might occur when the RTD's three-year, 50-cent fare expired. At that point the LACTC set out to develop specific guidelines for the formation of a transportation zone.

Contracting with the private sector for public transit was in an infant stage and nowhere had existing service been taken away from the regional operator and contracted out. In 1984 Supervisor Schabarum proposed creating a transportation zone in the San Gabriel Valley. The impetus for this pro-

Transportation Zones: When Public Transportation Goes Private

Jeff Jenkins

Transportation Deputy to
L.A. County Supervisor Peter F. Schabarum

San Bernardino/ Riverside Counties Seminar

ject stemmed from high costs and poor quality of service being provided in the area by the RTD.

Because ridership in the Valley is lower than in other regions of the County, it cost the RTD more to operate resulting in an inordinately large share of service cuts.

The project went through many trials and political barriers not the least of which were unions lobbying members to prevent the zone's passage. However, we prevailed and the zone was finally approved taking over operation of 14 RTD bus routes using 127 buses.

The implementation will be phased over two years and designed to coincide with the RTD's semi-annual service adjustments.

The zone will be governed by a joint powers authority comprised of the 20 cities and the County of Los Angeles. We anticipate the zone will have no employees and will contract for management, marketing, and legal services.

Under the transportation zone we must demonstrate a 25% savings over what it now costs the RTD to operate those routes. The zone, in effect, will be given the subsidy which is now given to the RTD and any money we save can be used to expand service, lower fares, or some combination of both.

We are confident we can achieve considerable cost savings while improving the quality of service. The zone application anticipated a 32% savings, but I am confident that figure will be even higher. We have had the opportunity to test our assumptions. Last year the RTD made known its desire to eliminate service on some unspecified nonproductive routes. Working with the RTD and the LACTC, the County of Los Angeles assumed operational responsibility for two commuter routes and for local routes as part of a "demonstration project". We put the service out to competitive bid and awarded contracts for the commuter route and the local routes at a savings of 60 and 50% respectively.

As Federal and state public transit subsidies continue to diminish, the private sector will, by necessity, play an increasingly important role in the provision of public transit service in Southern California.

Future Trends in Transportation Finance

Keith D. Curry

Managing Consultant
Public Financial Management, Inc.
San Francisco

Ventura / Santa Barbara Seminar



Keith D. Curry

It comes as no secret to those involved in urban mobility that federal transit assistance has been, and will continue to be, sharply reduced over its previous historical funding levels.

Since 1982 annual funding for UMTA programs has been reduced by more than one billion dollars annually. Although cuts in more recent years have been small, total UMTA funding continues to be a target for congressional budget cutters.

When the effects of inflation are considered, it becomes clear that the federal role is declining even further. With the continued constraint of a massive federal deficit and the requirements under the Gramm-Rudman-Hollings Act, there can be no foreseeable change in the pattern of declining federal transit assistance. When one considers that transit ridership has declined by more than 29 percent nationally over the decade of the 1970s and now carries only 5% of all trips in the nation, it is in many ways surprising that the decline in transit funding has not been more steep.

Expanding Transit Systems

Despite the reduction in federal funding, transit systems are expanding and new fixed rail systems are being planned in a record number of America's cities. As often happens out of fiscal necessity, the reduction in federal funding has forced system planners to become "lean and mean" in their funding strategies. It also has resulted in a historically high level of transit support from the state level and substantially greater use of locally-dedicated transit taxes.

Rather than providing a minimum match for federal funding, state and local sources are now seen as a way to leverage federal dollars by "overmatching". Greater financial participation of state and local governments has resulted in greater concern over the cost and ridership projections upon which these projects are based. In addition, greater attention is being paid to the funding of operations deficits after the systems are up and running.

Local Funding

Increasingly, local governments are turning to a locally-dedicated funding source, most commonly a sales tax, to provide transit funding. Within California, Los Angeles, San Diego, Santa Clara, Alameda, Fresno, and San Benito Counties have enacted two separate 1/2-cent sales taxes to support transit and highway development and San Francisco, Alameda, and Contra Costa Counties have long collected a special tax for BART.

Contra Costa, Riverside, San Bernardino, and even Orange County are expected to consider new transportation sales taxes in the near future.

In the state of Texas, sales taxes have become the primary funding source for transit. It should come as no surprise that the transit districts which have shown the most growth in recent years are those which have enacted locally-dedicated funding sources.

As noted earlier, these local funds allow transit leaders to better leverage state funds and to be more competitive in the race for diminishing federal discretionary dollars. Both UMTA and the California Transportation Commission allow for credit and funding "bonuses" to those areas which provide substantial local funding.

Along with the greater reliance on local funding, I believe the second trend which has had the most significant impact on the construction of new transit systems has been the increased utilization of innovative and private sector-related funding strategies.

Private Sector Funding

From Northern Virginia to Los Angeles, the private sector is playing an ever-increasing role in the funding of new rail transit systems.

—In Dallas, a \$25 million people mover is being constructed privately by the developers of the Las Colinas planned development.

—In Las Vegas, a new "mag-lev" people mover is being constructed to connect downtown with the Cashman Field Convention Facility. No public funding is provided for the project. Substantial costs are being carried by the system manufacturer in order to provide an American showcase for this technology.

—In Tampa, a \$7.3 million people mover was constructed by the developer of Harbor Island to link that development to downtown. The system was built on public right-of-way using private funds. When fully depreciated after 17 years, the public agency will have an option to acquire the system.

—Privately-constructed rail systems in New York City and tollroads near Washington, D.C. are being seriously considered.

—In Houston, the public transit agency requested full "turn-key" bids from consortia of private system designers, builders, operators, and financiers for the billion-dollar "system connector" project. The system connector provides perhaps the best example of how the private sector can join the public sector to build new transit projects. Although funding would still have come from public sources, substantial risk for construction delays and operations deficits would have been shifted to the private sector.

Because of the downturn in the oil economy, Houston has decided for the present not to move forward with this concept. I would expect to see this approach used in other places in the future, however.

Necessary Future Elements

In looking forward to the future of private sector participation in the funding and construction of public transit projects, I believe the following four elements must be present if this trend is to continue:

—First, these deals must be equitable for both sides. The public agency and the private sector must come to an agreement as to the actual benefits of development proximate to a transit system, the value of those benefits, and the appropriate division between public and private funding. There must be a proper understanding by both sides that public/private partnership does not mean giving away the store to a private developer, and neither does it mean free project without tax support. There must be a balancing of risk and economic interests.

—Second, there must be a realization that new rail systems are inherently growth-inducing. Indeed, they depend upon growth in order to meet ridership forecasts and operating costs. Station locations must act as development centers allowing access without the necessity of an automobile if there is truly to be any reduction in traffic congestion. The increasing trend to down-zone land near transit station locations and to make land use decisions after, rather than before, construction of new systems is not a good one for public transit.

—Third, we need a better understanding of the linkage between capital projects and their operating costs. The public is not well served by the construction of a \$100 million project which results in another \$100 million in operating losses, thus robbing funds from other transit uses. These kinds of deficits can actually result in a net loss of transit ridership even after the construction of a new system.

—Fourth, we must have a better understanding between the public and private sector on project timetables. Nothing can be more frustrating to a private developer than the seemingly-unending delays and slowness associated with moving a project through the appropriate government channels. The private sector needs a better understanding of the necessities of the representative government process and government needs to understand and appreciate the adage that "time is money" and project costs increase as process requirements are strung out.

UMTA Administrator Alfred A. DelliBovi has advanced several new policy initiatives including Advanced Construction Funding, Suburban Mobility Initiatives, and an expansion of the UMTA Private Sector Initiatives Policy. The challenge to America's public transit industry is to respond to this changing environment with creativity and a spirit of entrepreneurship.

How the Public and Private Sectors *Can* Work Together

Alfred H. Perdon

Assistant General Manager
Planning and Communications
Southern California Rapid Transit District

San Fernando Valley Seminar

I would like to share with you some of the things the Southern California Rapid Transit District does very well, things that we can't forget about as we embark in the area of privatization.

For 95 cents you can get from Chatsworth to Long Beach which is a distance of about 50 miles.

It costs RTD on the average about \$1.15 to carry a bus passenger from one point to another. A similar trip on the Seattle Metro, Houston Metro, or even OCTD, our neighboring transit system, costs as much as twice what it costs on RTD.

Despite system-wide service enhancement in our bus fleet such as air conditioning, wheel chair lifts for disabled persons, improved transit police protection, radio systems, a new fleet of buses, the cost per hour of service in the fiscal year that just ended in real dollars is the same as in the fiscal year ended June 30, 1978. During these years we have seen measurable increases in the productivity and performance of our transit system.

The bottom line for public agencies such as the RTD, is complaints. We get them. We carry about 1-1/2 million people every day. On an average day this past fiscal year we received about 33 complaints about our operation on a system that is carrying 1-1/2 million riders each day, many of those have to do with overcrowding and with delayed buses due partly to increased traffic congestion.

We all recognize there are areas where the District must improve and we are. While a lot of public attention has been focused on its operation in the past, and on the construction of our Metro Rail System, the real action during the past five years has been in the construction of new facilities. Since 1981 we have built five bus divisions, each handling about 200 buses. We recently had the opening of a \$70 million central maintenance facility which has space-age technology including robotic parts storage and retrieval systems and bus-painting systems. We have made major capital investments in the past seven to eight years to help us meet the growth challenges we face in the future.

As we look at the growth curves in the past and project them in the future, it's clear that no matter what we do, we're not going to meet the mobility challenge that we face both in the public and



Alfred H. Perdon

private sectors in how to meet that growth demand, to maintain and improve today's mobility levels.

Three million new residents who will call Southern California home by the year 2000 will compete with us for scarce freeway space.

The opportunities and challenges for mobility improvements for the private and public sectors working together are included. The framework for the two sectors working together is one that must recognize the strength and the weaknesses of each. In the public sector, the process for change is very slow and it's very complex, something the private sector cannot afford.

We recognize that the private sector has strength, and that it has some very positive attributes: it can get things done quickly, focus on the bottom line, look at how to reduce costs. We clearly need to bring that perspective and that attribute into the public sector of public transportation.

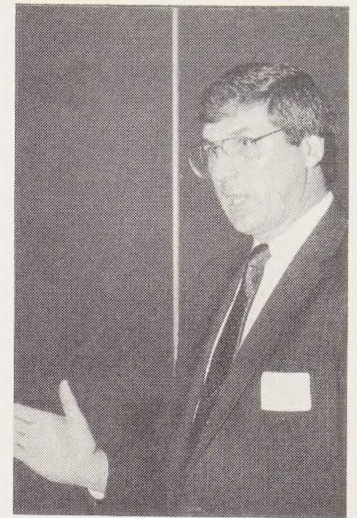
Improved productivity and investment in public transit can lead to overall transportation cost reductions in our urban area and improved mobility.

I believe prospects for public transit for the public/private partnership are excellent. We have a long record of utilizing the private sector through competitive procurements, contracting for everything from bus tires to engineering and design services to construction and construction management. There is no reason why we can't expand privatization to new areas such as transit service delivery. There will be roadblocks and setbacks. Implementation of specific projects will be more complicated and more difficult in Los Angeles than in many other areas.

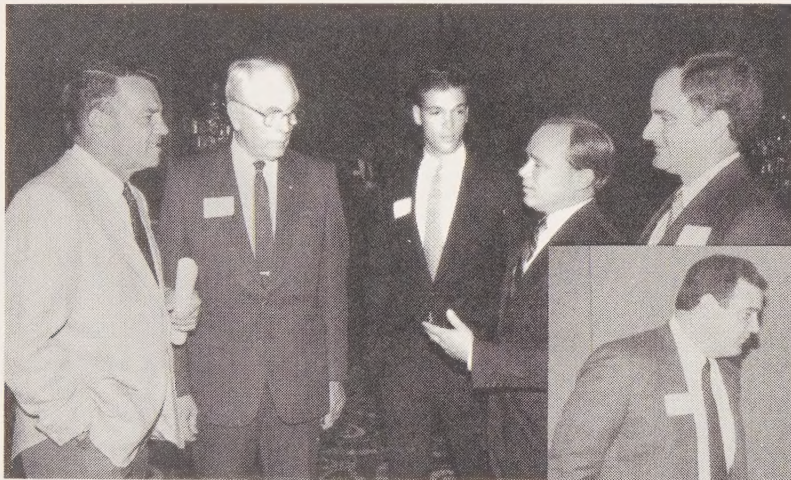


Joe La Barbera
SCTAC Associate Executive
Director.

Seminar Scenes



Al Sue
Greyhound Lines, Inc.

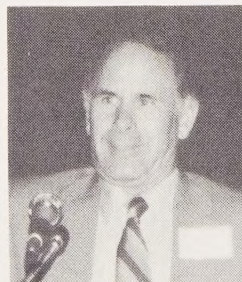


From left — Peter Schabarum, Los Angeles
County Supervisor; Robert Garrick, SCTAC
Executive Director; Jeff Jenkins and Mike Lewis,
Supervisor Schabarum's staff; Keith Curry, Public
Financial Management, Inc.

Bill Duplissee, Assemblyman, left and
Harriett Wieder, Orange County Supervisor,
at the Orange County Seminar.



Jewel Bolton, California Bus Association.,
left, Al Sue, Greyhound Lines, Inc., and
Ruth Richter, SCTAC Vice Chairman.



Wes Mc Daniel, San
Bernardino Association
of Governments



David Grayson, Secretary-Treasurer of
SCTAC, left, and Michael Antonovich, Los
Angeles County Supervisor.



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